FINANCIAL AND STATISTICAL HIGHLIGHTS 1989

WCB

THE WORKERS' COMPENSATION BOARD - ALBERTA

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MISSION OF THE WCB

The mission of the Workers' Compensation Board – Alberta is:

To serve workers and employers by reducing injuries, compensating workers while disabled and rehabilitating to re-employment or self-sufficiency.

RESPONSIBILITIES OF THE WCB

During 1989, over 59,000 employers and their workers enjoyed the protection of workers' compensation coverage in Alberta. For that period, the WCB – Alberta collected revenue in excess of $366 million and adjudicated approximately 62,000 claims for industrial injuries.

Under the principle of collective liability, employers are jointly responsible for the costs of industrial accidents, and in return are protected from legal action.

With respect to the financial management of the WCB, its responsibilities include:

- setting rates of contribution to the WCB by employers; and
- determining policies regarding the investment of WCB funds.

FINANCIAL MANAGEMENT

The WCB follows a full funding principle which is to levy annual assessments which, with investment earnings, will be sufficient to meet current and future claim costs of each year's accidents, as well as related administrative expenses.

The principle of collective liability forms the basis of workers' compensation legislation. It requires employers to be jointly responsible for the costs of industrial accidents. Within this system the WCB seeks to:

- set assessment rates that reflect the hazards of an employer's industry;
- avoid large fluctuations in industry assessment rates; and
- avoid unduly burdening future employers with the costs of current year accidents.

The WCB assessments for employers are based on an experience rating system implemented in 1987. This system provides a more equitable distribution of the cost of workers' compensation, and provides employers with incentives to reduce the number and costs of work related injuries.

NOTE: Audited financial statements are published as part of the WCB's Annual Report.

A detailed listing of investment particulars is available upon request.

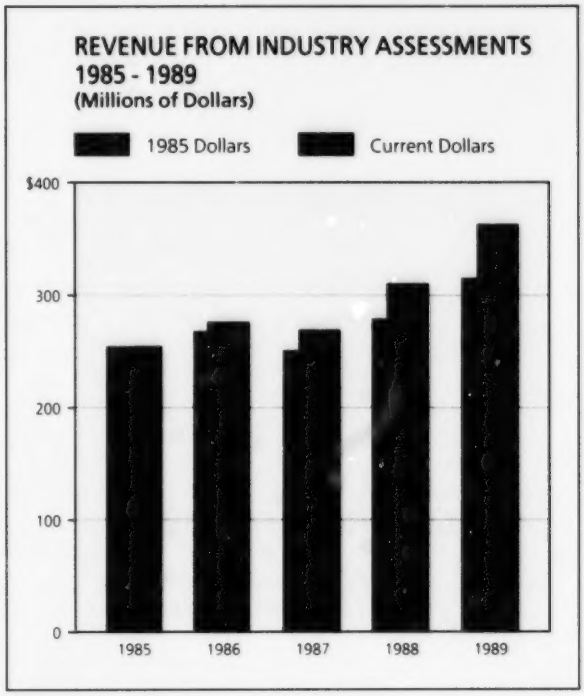
PRESENT FINANCIAL SITUATION OF THE WCB

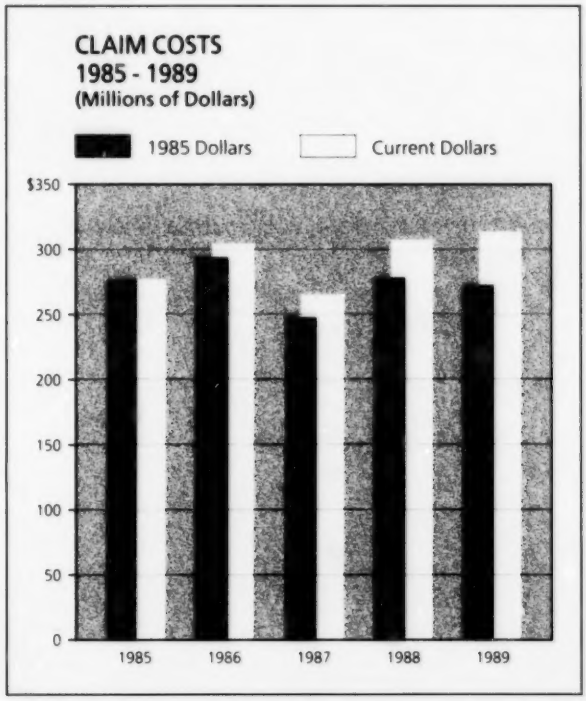
Approximately 64,800 industry accounts were active during 1989. An estimated $364.7 million from industry assessment revenue was expected from these accounts. This represents an increase of 16.8% from 1988.

For the same period, approximately 62,000 new claims for industrial injuries were reported while $315.2 million in claim costs were incurred. Of these 62,000 claims reported, it is estimated that 43,500 involved lost time.

Between 1985 and 1989, assessment revenue increased from $276.6 million to $373.5 million – an increase of 35.0%. However, if the effect of inflation is removed, 1989 assessment revenue represents $324.7 million, in terms of 1985 dollars, or an average annual increase of 4.3%.

During the same 5-year span, claim costs rose from $284.7 million to $319.7 million. On a constant dollar basis, 1989 claim costs represent $278.0 million or an average annual increase of 0.1% since 1985.



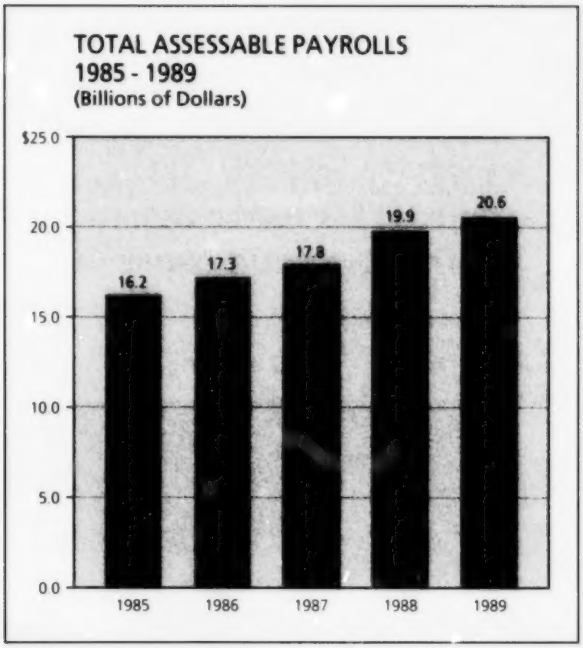


TOTAL ASSESSABLE PAYROLLS

During the five years from 1985 to 1989, assessable payrolls rose from $16.2 billion to $20.6 billion. This growth is due to:

- growth of the Alberta labour force;
- higher wages and salaries;
- extension of coverage to additional industries.

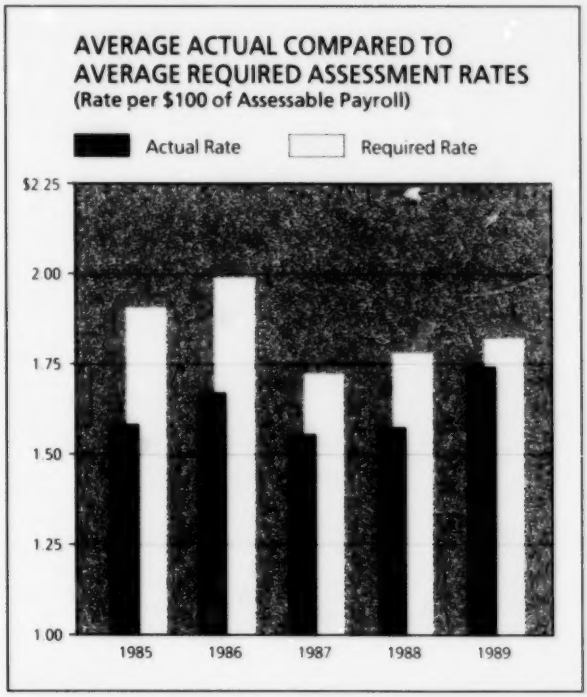
Maximum annual assessable earnings were increased by the legislature to $40,000 in 1982. Prior to January 1, 1982, maximum annual assessable earnings were $22,000.



EMPLOYERS' ASSESSMENTS

The average assessment rate was $1.75 in 1989, up from $1.59 in 1985.

The increase in the average rate is due to the decision to allow rate increases in 1989 for the first time in five years. The maximum allowable industry rate increase was 25%. The average increase in 1989 rates was 10.8%. Actual assessment rates still remain short of those required to achieve a full funded position. Over the years this shortfall has resulted in the current unfunded liability.



COST OF OPERATIONS

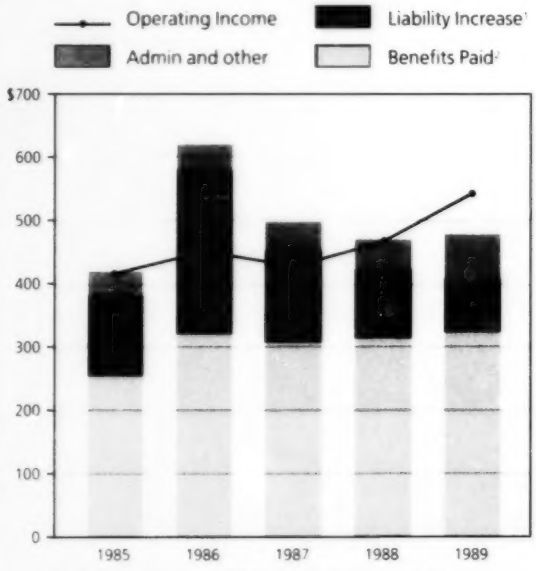
Costs for Current and Prior Years Operating Activities by Year

Operating income is the total revenue from assessments and investments for activities pertaining to 1989 and prior years.

Operating expenditures include:

- the current expenses and estimated future cost of claims for all accidents or industrial diseases which occurred during the year;
- Occupational Health and Safety expenses for activities pertaining to 1989; and
- administrative costs for activities during 1989.

SUMMARY OF OPERATING ACTIVITIES
1985 - 1989
(Millions of Dollars)



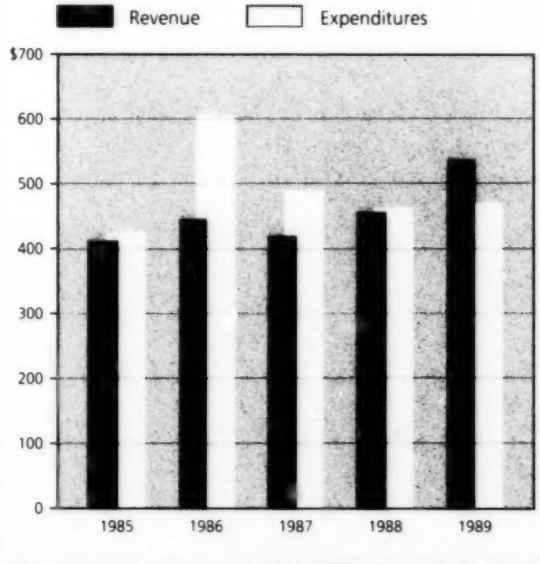
[1]Liability increase = 1989 liability claims – 1988 liability claims.

[2]Benefit paid = 1989 total claim costs – net pension awards + pension payments + reduction of pension advancements – pension award recoveries.

The largest portion of operating expenditures goes to fund the future (delayed) costs of current year claims.

- During the five years prior to 1989, expenditures exceeded operating revenue. However, in 1989 this trend was reversed and operating revenue surpassed expenditures by $62.9 million.
- Overall, expenditures have been declining whereas revenues have been increasing.
- In 1989, the WCB's total revenues were $541.3 million and total expenditures were $478.4 million.
- Benefits paid increased 2.5% over 1988 and the liability portion decreased 21.5%.
- As a proportion of total expenditures, benefits paid represent 67.2%, administration/other expenses 15.4%, and liability 17.3%.

OPERATING REVENUE AND EXPENDITURES
1985 - 1989
(Millions of Dollars)

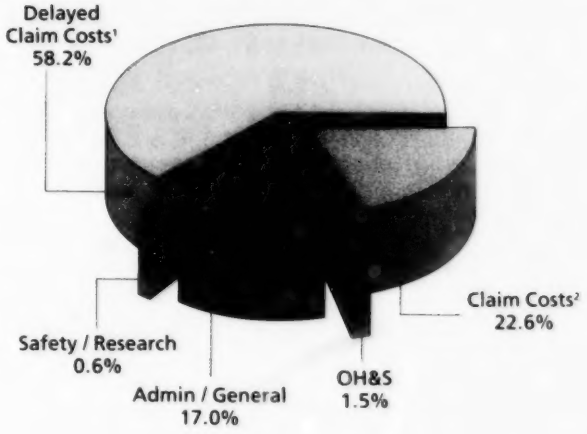


COSTS FOR 1989 OPERATING ACTIVITIES

In 1989, operating expenditures totalled $478.4 million. Of this, $389.1 million related solely to 1989 operating activities. The $389.1 million in expenditures was allocated as follows: 80.8% to the current and future costs of accidents which occurred during the year; 17.0% for administrative and general expenditures; 1.5% for Occupational Health and Safety; and 0.6% for Safety/Research. The remaining $89.3 million of the $418.4 million relates to prior year claims.

For a specific accident year, the claim costs incurred during the first year represent only a small proportion of the total costs that will ultimately be paid over the life of these claims. For example, over $85.5 million in claim payments were made in 1989 for claims which occurred during that year. Although this represents the largest single expenditure year, the provision for expected costs in later years is substantially larger than the costs in the first year. Twenty-three years after the year of the accident, the WCB still expects to incur an annual cost of approximately $2.2 million for these 1989 claims.

SUMMARY OF OPERATING EXPENDITURES FOR 1989



[1]Delayed claim costs = Provision for future claim costs – claim costs charged for liability claims.
[2]1989 claim costs not including claim costs for prior years.

DISTRIBUTION OF CLAIM COSTS FOR THE 1989 ACCIDENT YEAR
(Millions of Dollars)

INVESTMENTS

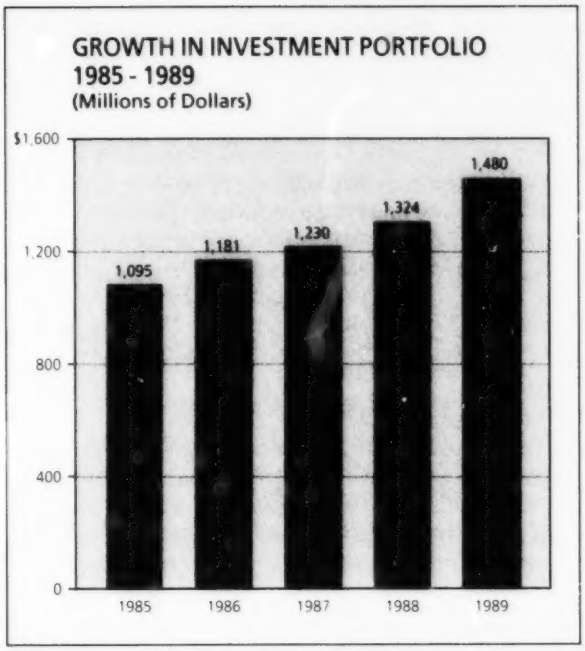
The WCB's investment portfolio at book value grew from $1,095 million in 1985 to $1,480 million in 1989.

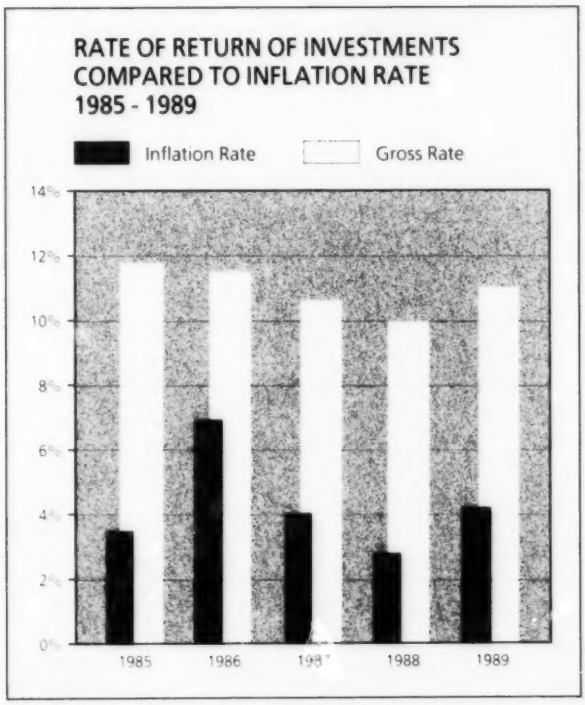
The WCB has maintained an annual average gross rate of return on investments of 11.1% and an average real rate of return, net of inflation, of 6.55% over the past 5 years.

To improve the return on investments, for the benefit of both employers and claimants, the WCB adopted more flexible investment constraints in March, 1987. As a result, the WCB has revised its target net rate of return (after inflation) from 2.5% to 3%.

Income from investments represented 29.6% of the WCB's gross operating revenue in 1989.

The composition of the WCB's investment portfolio has changed dramatically since 1985. For example, in 1985 68.2% of the portfolio comprised bonds whereas in 1989 bonds represented only 51.5%. The remainder of the portfolio consists of 17.1% in the money market, 21.3% in equities, and 10.1% in other investments.



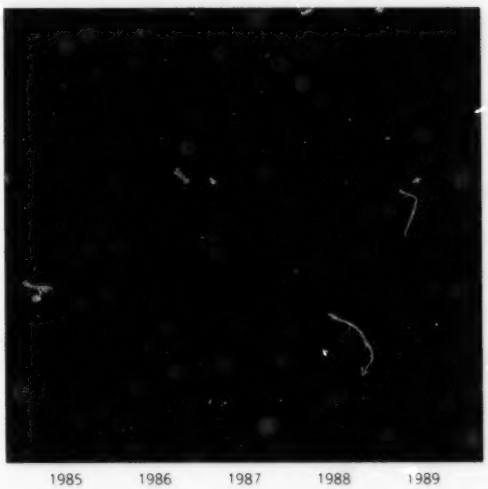


RATE OF RETURN ON INVESTMENTS

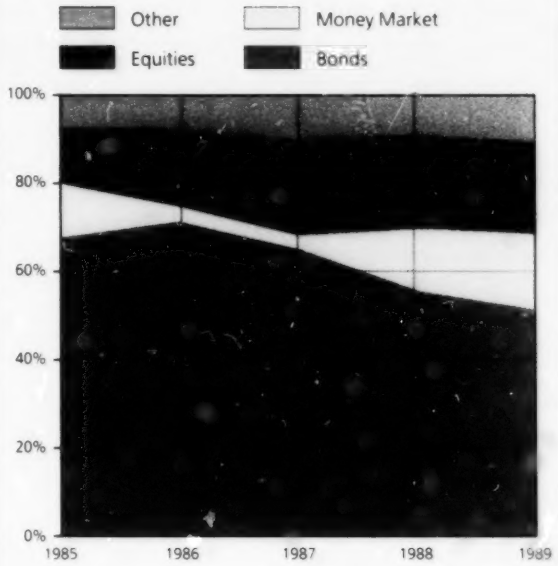
Year	Gross Rate	Inflation	Real Rate
1985	11.86	3.42	8.16
1986	11.58	6.93	4.35
1987	10.69	3.98	6.45
1988	10.06	2.70	7.17
1989	11.10	4.17	6.65

Average Real Rate of Return = 6.55%

INVESTMENT INCOME AS A PERCENTAGE OF REVENUE 1985 - 1989



COMPOSITION OF INVESTMENT PORTFOLIO 1985 - 1989



ACCIDENT FUND BALANCE

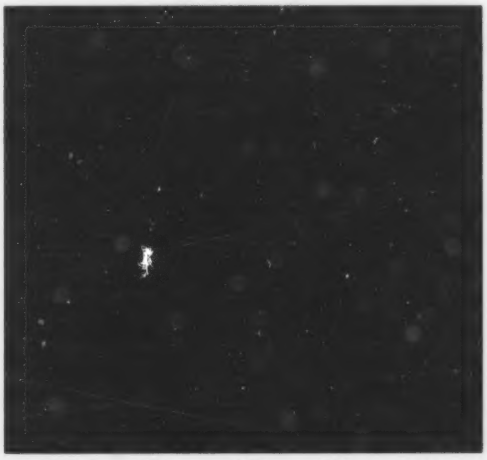
The actuarial liability is the estimated amount required to be invested to meet benefit payments in future years for accidents and occupational diseases that have already occurred. When the assets held by the WCB are insufficient to cover these actuarial liabilities, then the Accident Fund balance is said to be in a deficit or to have an unfunded liability.

Surpluses were accumulated in the reported Accident Fund balance until 1979. Between 1980 and 1988 significant deficits occurred because of:

- increases in the benefits payable to injured workers;
- changes in policies relating to permanent disabilities;
- weak economic growth in Alberta during that period of time;
- no increase allowed in assessment rates from 1982 through 1986.

In 1989 a surplus was recorded which improved the accumulated balance of the Accident Fund. The surplus was the result of increased assessment revenue, increased investment income, and a reduction in claim liabilities when anticipated benefit adjustments failed to materialize.

ACCIDENT FUND ACCUMULATED BALANCE AT THE END OF THE YEAR 1985 - 1989
(Millions of Dollars)



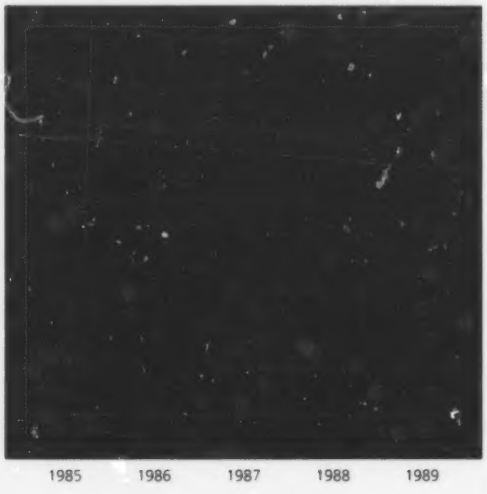
UNFUNDED LIABILITY

The unfunded liability is the shortfall between what is required to pay the future costs of existing claims and the current value of what has actually been set aside in assets and investments to meet those projected costs.

At the end of 1989, the Accident Fund deficit improved to $304.2 million from $367.1 million in 1988. Total assets increased to $1,627 million. Consequently, the WCB found its liabilities 84.2% funded at year-end.

Despite modest improvements in the unfunded position over the last two years, maintaining the upward trend to ultimately achieve a full funded position will require adjustment of future assessment rates to cover the full cost of new accidents. An average 4.9% increase in 1990 rates is intended to continue to move the corporation toward full funding. 1990 rates were increased for 572 industries of the 761 industry groups covered by the WCB.

ACCIDENT FUND LIABILITIES PERCENT FUNDED 1985 - 1989

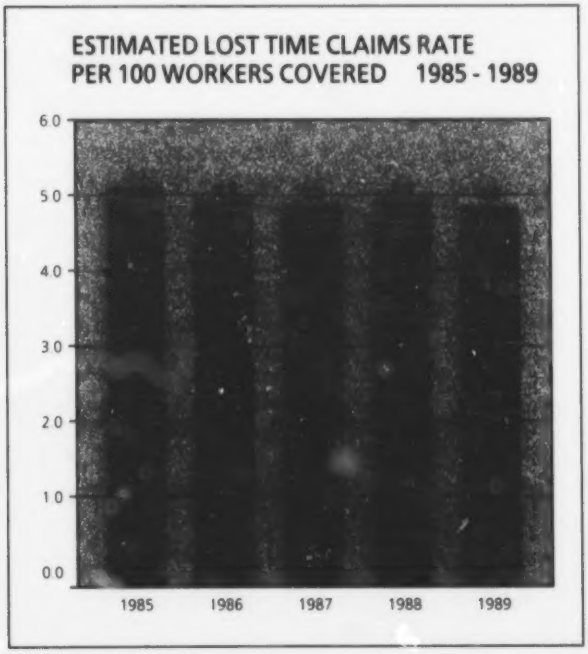


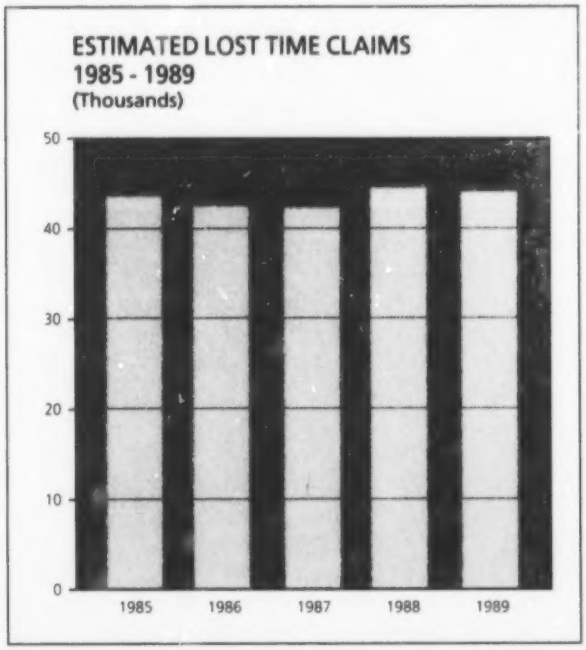
CLAIM STATISTICS

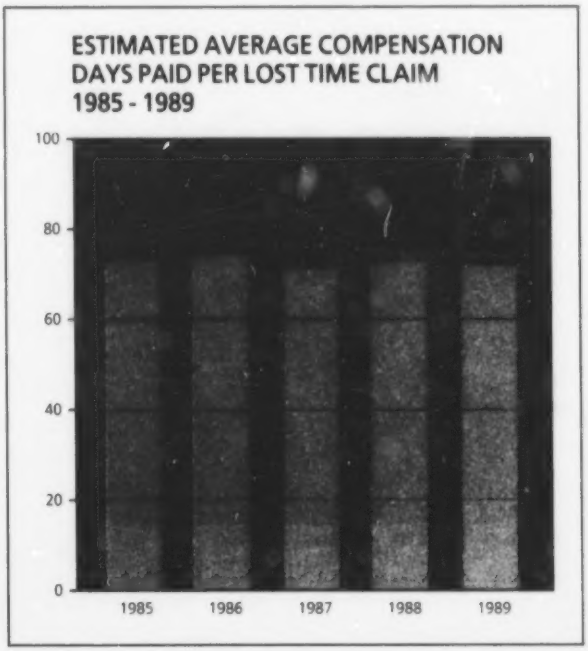
The WCB is in the process of widening its perspective to include a more active role in accident prevention. Examining accident statistics in more detail identifies situations that have historically resulted in claims, and facilitates directing accident prevention efforts where they might have the greatest effect.

In 1989, it is estimated 4.8 out of every one hundred covered Alberta workers suffered an industrial injury resulting in a lost time claim. A lost time claim is one in which the worker is on compensation for one or more days subsequent to the date of accident. Ultimately, it is estimated a total of 43,500 lost time claims will result from industrial accidents which occurred in 1989. Over the life of each 1989 lost time claim an average of 72.9 temporary disability and vocational rehabilitation days is expected to be paid.

During the past five years, the number of lost time claims and average compensation costs paid have remained relatively stable. Each lost time claim in 1989 is estimated to have a full funded cost of $8,800. Full funded costs per claim have remained more or less stable since 1985 at an average of approximately $7,700 in constant dollar terms.

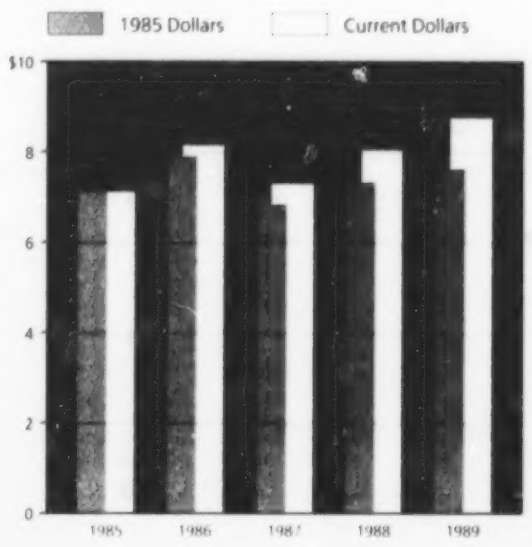






ESTIMATED FULL FUNDED COST PER LOST TIME CLAIM 1985 1989

(Thousands of Dollars)



Generally, the most common claims reported are males suffering from strained or sprained backs due to overexertion.

The most frequent type of injury reported in 1989, almost 43% of all new claims, was a strain or sprain.

Backs were the most common part of body injured, accounting for almost 24% of all claims reported in 1989.

NUMBER OF NEW CLAIMS REPORTED BY PART OF BODY

	1989	1988
Back	14,911	14,830
Finger	6,824	7,040
Toe, Foot or Ankle	5,729	5,763
Chest, Hip or Shoulder	5,462	5,652
Multiple Parts	5,190	5,000
Hand or Wrist	4,393	4,307
Arm	3,871	3,726
Knee	3,258	3,189
Non-Personal Damage[1]	3,212	3,309
Head or Neck	3,164	3,405
Eye	2,683	2,960
Leg	1,992	1,981
Body System	1,188	863
Unclassified	145	104
Totals	62,022	62,129

[1]Non-Personal Damage includes 3,108 claims for eyeglasses and 62 claims for artificial teeth.

NUMBER OF NEW CLAIMS REPORTED BY NATURE OF INJURY[1]

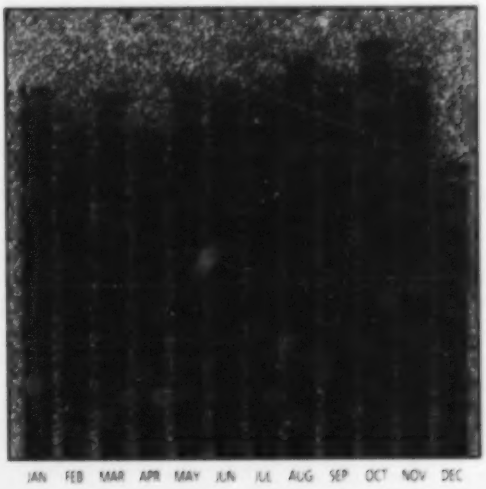
	1989	1988
Strain or Sprain	26,391	25,732
Bruise	8,042	8,077
Cut or Laceration	6,990	7,147
Multiple Injuries	5,479	6,211
Fracture or Dislocation	3,677	3,660
Non-Personal Damage	3,214	3,309
Bursitis or Synovitis	2,412	2,187
Burn or Scald	1,956	2,046
Other Industrial Injury	1,322	1,621
Dermatitis or Systemic Poisoning	1,011	700
Other Industrial Disease	578	530
Arc or Welding Flash Burn	264	273
Temperature Effects	108	54
Amputation[2]	90	6
Radiation Effects	6	8
Unclassified	482	568
Totals	62,022	62,129

[1]Note: All types of claims are included in the table e.g. Lost Time, Pensions, Medical Aid, and Claims in which a judgement is pending.

[2]The 1989 definition of amputation was expanded to include a broader range of injury. Prior to 1989, in order for an injury to be classified as an amputation, the loss would have had to include a minimum of one joint.

There is a significant seasonal variation in accidents reported per month. The graph illustrates a slight decrease in April and a noticeable decrease in December. The decrease in April is most likely the result of a slow-down in activity due to spring breakup, while the December decrease is presumably related to the reduced number of hours worked due to the seasonal holidays.

MONTHLY DISTRIBUTION OF CLAIMS OCCURRING IN 1989



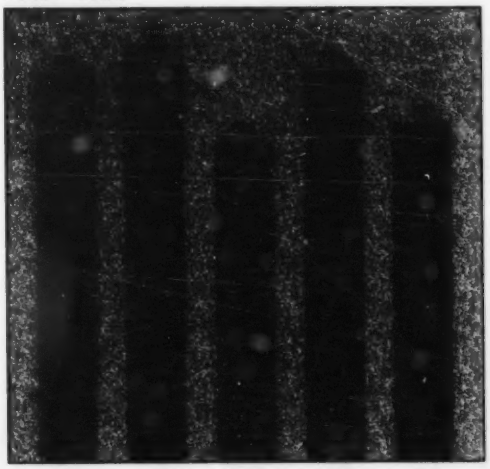
The number of fatal claims accepted each year has decreased substantially since 1985. This decrease is likely the result of a slow-down in economic activity within Alberta. In addition, the WCB's active role in accident prevention and the Alberta Government's various awareness campaigns may have impacted these numbers. Highway accidents are the most frequent cause of death in claims accepted in 1989, followed by industrial disease.

FATALITIES ACCEPTED IN 1989 BY CAUSE OF DEATH

	1989	1988
Highway Accident	42	37
Industrial Disease	25	26
Struck by Object	11	9
Fire/Explosion/Electrocution	9	8
Fall from Elevation	7	8
Load/Materials	3	1
Asphyxia/Drowning	3	9
Mobile Equipment	2	7
Aircraft	1	4
Stationary Equipment	0	4
Cave-in	0	1
Unclassified	4	10
Total	107	124

Note: Highway Accident – Multiple Vehicle Accident, Single Vehicle Accident and other Highway.
Struck by Object – Falling or Flying Object.
Industrial Disease – Silicosis, Heart, Respiratory, Asbestosis and Lung Cancer.

FATAL CLAIMS ACCEPTED 1985 - 1989



Average Assessment Rate

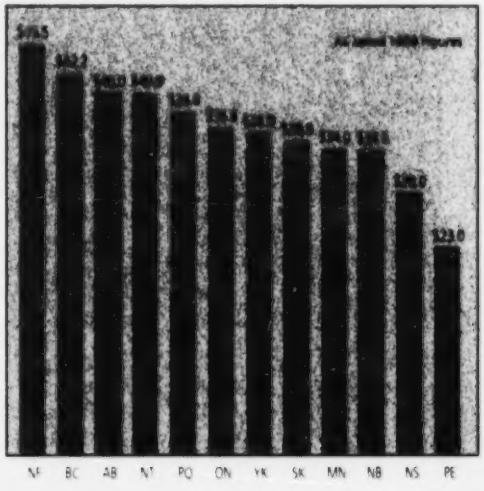
At $1.58 per $100 of payroll, Alberta's 1988 average assessment rate for workers' compensation was the third lowest in Canada. As average rates reflect provincial benefit levels, funding philosophy, unfunded liability position, and the mix of covered industries, they should be interpreted with caution.

WORKERS' COMPENSATION BOARDS OF CANADA AVERAGE ASSESSSMENT RATES
(Rate per $100 of Payroll)

Assessable Earnings

In 1989, Alberta had the third highest maximum annual earnings (for assessment purposes) in Canada. Maximum annual assessable earnings vary from province to province with Newfoundland having the highest at $45,500 and Prince Edward Island the lowest at $23,000. Several provinces have a higher maximum for compensation purposes than for assessment purposes; in Alberta both maximums are the same.

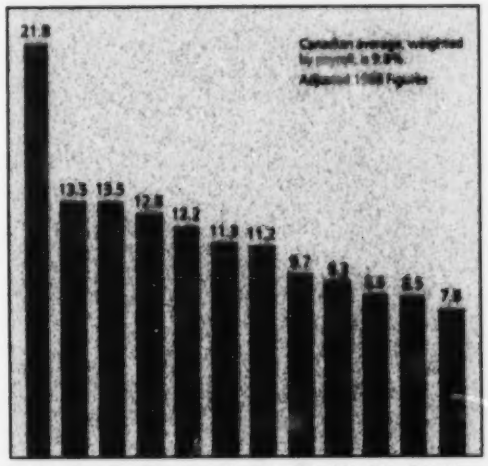
WORKERS' COMPENSATION BOARDS OF CANADA MAXIMUM ASSESSABLE EARNINGS
(Thousands of Dollars)



ADMINISTRATIVE EXPENSES

As part of the Corporation's goal of managing its resources with fiduciary care, the WCB-Alberta maintains strict control of its administrative expenses. Alberta-WCB has the fourth lowest ratio of administrative expenses compared to total expenditures of all of the twelve jurisdictions.

WORKERS' COMPENSATION BOARDS OF CANADA ADMINISTRATIVE EXPENDITURES AS A PERCENTAGE OF TOTAL EXPENDITURES



Percent of Liability Funded

The Alberta Workers' Compensation Board was 20.3% under funded at year end 1988 which still reflects the general insufficiency of current assessment rates. The situation is being monitored and appropriate actions have been taken.

WORKERS' COMPENSATION BOARDS OF CANADA PERCENT OF LIABILITIES FUNDED